

Message Text

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ACTION EB-08

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TO SECSTATE WASHDC 3727

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TAGS: EGEN, EFIN, EAGR, EIND, PK

SUBJ: DETAILS OF INTERIM GOVERNMENT'S TEXTILE INDUSTRY POLICY

REF: ISLAMABAD 9016

ON SEPT 2, 1977 THE MARTIAL LAW GOVERNMENT ANNOUNCED
DETAILS OF THE POLICY MEASURES IT MADE PUBLIC EARLIER ON
SEPT 1 TO HELP THE TEXTILE INDUSTRY. THESE ARE: (A) REDUCTION
OF SALE PRICE FOR COTTON BY RS. 90 PER MAUND TO RS. 325 PER
MAUND FOR CURRENT COTTON SEASON ON PURCHASES BY TEXTILE MILLS
FOR DELIVERIES AT GINNING FACTORIES. PREMIUM OR DISCOUNT
WILL BE AVAILABLE ON FIXED PRICE ACCORDING TO GRADES.
(B) POORLY MANAGED TEXTILE MILLS WITH SERIOUS FINANCIAL
DIFFICULTIES BUT SOUND PHYSICAL CONDITION WILL RECEIVE LOANS
FROM BANKS AND OTHER INDUSTRIAL CREDIT AGENCIES PROVIDED
THEIR MANAGEMENT IS SUITABLY REORGANIZED. (C) TWENTY NINE
TEXTILE MILLS WITH POOR FINANCIAL AND PHYSICAL CONDITION
WHICH ARE ALREADY CLOSED WILL BE LIQUIDATED. (D) THREE
TEXTILE MILLS (ALONG WITH SIX OTHER INDUSTRIES) IN
KARACHI SERIOUSLY DAMAGED BY RECENT RAINS DECLARED
"CALAMITY STRICKEN" TO RECEIVE LOANS THRU SPECIAL CREDIT
FOR REPAIRS AND RECONSTRUCTION. LOAN TERMS TO INCLUDE
SUBSIDY GRANT BY THE GOVERNMENT EQUAL TO INTEREST PAYABLE
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PROVIDED LOAN REPAYMENTS ARE STRICTLY ON SCHEDULE, AS
AGREED, BEGINNING 3 MONTHS AFTER PRODUCTION IS RESUMED
AND ENDING BEFORE THREE YEARS ARE OVER. LOAN AMOUNT TO
BE DETERMINED BY THE BANK AND PROFESSIONAL SURVEYORS IN
CONSULTATION WITH MILL MANAGEMENT.
COMMENT. THE GOVERNMENT EXPECTS THAT THE PRICE
REDUCTION IN THE SALE PRICE OF COTTON BY GINNING FACTORIES

WILL RESULT IN A SUBSTANTIAL REDUCTION IN THEIR EARNINGS
BUT IT ANTICIPATES THAT THE POLICY WILL RESULT IN
INCREASED PRODUCTION OF TEXTILES WHICH WILL IN TURN
BRING HIGHER COLLECTION OF TAXES AND REVENUES.

FOR REHABILITATION OF TEXTILE INDUSTRY THE GOVERNMENT
HAS ALLOCATED RS. 600 MILLION OUT OF WHICH RS. 400 MILLION
WILL BE COVERED BY REDUCTION IN NON-DEVELOPMENT
EXPENDITURE.

THE TEXTILE INDUSTRY EMPLOYS 200,000 AND CONSTITUTES
26 PERCENT OF PAKISTAN'S LARGE SCALE MANUFACTURING
SECTOR. FOR A NUMBER OF YEARS IT HAS BEEN FACING
SERIOUS DIFFICULTIES WHICH HAVE RESULTED IN CLOSING
OF 29 OUT OF 171 MILLS. ABOUT 0.8 MILLION OUT OF
3.6 MILLION SPINDLES ARE IDLE. COTTON SPINNING OUTPUT
IN FY77 DECLINED TO 630 MILLION POUNDS FROM THE FY76
TOTAL OF 770 MILLION POUNDS AGAINST AN INSTALLED
CAPACITY OF 1000 MILLION POUNDS.
HUMMEL

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